

NORTH CAROLINA GENERAL ASSEMBLY



JOINT STUDY COMMITTEE ON HOUSING

**REPORT TO THE
2009 SESSION
of the
2009 GENERAL ASSEMBLY**

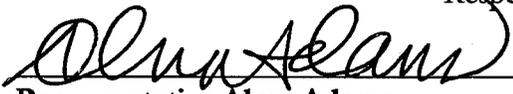
JANUARY, 2009

TRANSMITTAL LETTER

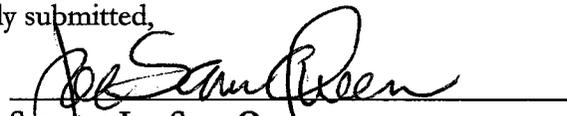
TO THE MEMBERS OF THE 2009 GENERAL ASSEMBLY:

Attached for your consideration is the report of the Joint Study Committee on Housing established by the President Pro Tempore of the Senate and the Speaker of the House of Representatives pursuant to G.S. 120-19.6(a1), Rule 31 of the Rules of the Senate of the 2007 General Assembly, and Rule 26(a) of the Rules of the House of Representatives of the 2007 General Assembly.

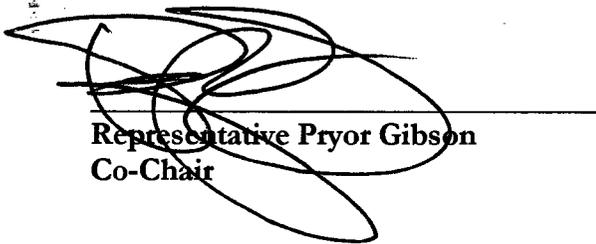
Respectfully submitted,



Representative Alma Adams
Co-Chair



Senator Joe Sam Queen
Co-Chair



Representative Pryor Gibson
Co-Chair

Senator Tony Rand
Co-chair

COMMITTEE PROCEEDINGS

The Joint Study Committee on Housing met four times from September 17, 2008 until January 26, 2009. The Committee heard presentations from the individuals listed below during the specified meeting dates.

September 17, 2008

- Karen Cochrane-Brown, Committee Co-Counsel, reviewed recent legislative actions of the North Carolina General Assembly. She explained that the North Carolina General Assembly is recognized nationally for its efforts to prevent predatory lending and prevent foreclosures. Finally, summarized legislation that was enacted in 2008.
- Mark Pearce, the Deputy Commissioner of Banks, provided an overview of the Emergency Foreclosure Reduction Program. He also offered an update on mortgage and financial markets, gave an update on foreclosure trends in North Carolina, and explained the North Carolina Commissioner of Banks' efforts to deal with these issues.
- Bob Kucab, the Director of the North Carolina Housing Finance Agency, gave an overview of State housing programs and needs. He discussed a wide range of subjects including, the work of the North Carolina Housing Finance Agency, housing conditions in North Carolina, the creation of the National Housing Trust Fund, and existing federal and State programs.

October 8, 2008- Meeting in Waynesville, North Carolina

- Dr. Thomas J. Meaders, Associate Professor in the Gardner-Webb Graduate School of Business, explained the impact of housing on North Carolina's economy. He noted that housing is a large segment of North Carolina's economy which affects small businesses, property taxes, employment, and wealth creation. Dr. Meaders concluded with remarks about the current turmoil in the housing market.
- Scott Dedman, Executive Director of Mountain Housing Opportunities, discussed housing initiatives in Western North Carolina. He commented on affordable housing challenges across North Carolina, housing safety and preservation efforts, and the needs of low income special needs homeowners.
- Celeste Collins, Executive Director, OnTrack Financial Education and Counseling, described housing education and counseling programs. She explained that credit problems and a lack of savings prevent people from owning homes. Ms. Collins also discussed barriers to obtaining affordable housing and challenges related to preserving home ownership.

December 2, 2008

- Lisa Martin, Director of Regulatory Affairs for the North Carolina Home Builders Association, explained the importance of housing to North Carolina's Economic Recovery. She suggested that home building fuels North Carolina's economy.
- Hank Cunningham, Legislative Chair of the Mortgage Bankers of the Carolinas, offered a perspective from the lending industry. He stated that the North Carolina housing market did not have the same rapid increase in value and that North Carolina is not suffering as much as some states. However, he also noted that North Carolina is experiencing challenges as a result of tightened lending standards.
- Rick Zechini, Director of Regulatory Affairs for the North Carolina Association of Realtors, discussed the state of the housing market. He explained the benefits of homeownership and concurred that North Carolina has not seen the same level of decline in housing prices. Mr. Zechini concluded that the federal government will have a key role and that the State must consider what actions the federal government takes.
- Bill Rowe, General Counsel of the North Carolina Justice Center, presented a review of issues related to the State Fair Housing Act. He explained how the State Fair Housing Act differs from the federal Fair Housing Act. Mr. Rowe concluded by explaining how a bill that was previously introduced, S-334, amended the State Fair Housing Act.
- John Porter, President of the Apartment Association of North Carolina, discussed the benefits of rental housing and asked the Committee to consider the perspective of owners of rental properties.

January 26, 2009

- Chris Parrish, President of the NC Manufactured and Modular Homebuilders Association discussed the role of the manufactured and modular housing industry in the State's housing market and encouraged the committee to include their industry in any assistance given to consumers purchasing or refinancing homes.
- Phil Greer, Senior Vice President of Loan Administration, NC State Employees' Credit Union discussed various home loan products offered by the Credit Union to its members.
- Sue Perry Cole, President and CEO, NC Association of Community Development Corporations presented several suggestions to the committee on housing recovery strategies including fully funding housing counseling services and establishing a Communities of Opportunity Initiative which would use Neighborhood Stabilization Program funds to invest in neighborhoods, infrastructure, training and job creation.

- Abdul Sm Rasheed, CEO of the Initiative and Initiative Capital, discussed recommendations to meet the challenges of the housing crisis using investment, policy initiatives, and nonprofit community and economic development institutions.
- Senator Joe Sam Queen, Co-Chair of the Joint Housing Study Committee presented a proposal to create regional housing alliances.

RECOMMENDATIONS

The Joint Housing Study Committee makes the following recommendations to the 2009 General Assembly:

1. Increase or sustain funding for the North Carolina Housing Trust Fund.
2. Provide full and recurring funding for counseling agencies and legal aid.
3. Expand funding for the Home Protection Program.
4. Create a statutory oversight Committee for housing.
5. Establish Regional Housing Advocacy Councils.
6. Establish a Communities of Opportunity Initiative to leverage federal Neighborhood Stabilization Program funds with private investment.
7. Expand affordable housing development activities.
8. Expand the Individual Development Account Program to include savings for home maintenance for first-time homebuyers.
9. Encourage green building techniques, inclusive of energy and water conservation and healthy homes criteria for all housing rehabilitation and/or new construction using State funds.
10. Increase enforcement of the State Fair Housing Act to prevent source of income discrimination, and establish “socio-economics” as a protected class under the State Fair Housing Act.

The Joint Housing Study Committee also recommends that the 2009 General Assembly consider the following proposals:

- Develop criminal/civil penalties for home rescue fraud.
- Make State hotline funding recurring.
- Increase NC Community Block Development Grant (CBDG) funds for Emergency Home Repairs for Low-Income homeowners.
- Educate the citizens of North Carolina regarding what North Carolina has already done to address foreclosure and to combat predatory lending and also about the resources currently available.
- Explore the use of tax incentives to encourage employers to help their middle- and lower-wage workers by providing matched savings or other assistance with home purchases.
- Housing tax credit – Individual income tax credit for purchase of new home corresponding with any federal tax credit approved by Congress.
- Builder Incentives- Deferred property taxes on improvements to real property held for sale by home builders; temporary extension of certain state permits and local development approvals; encourage higher development densities.
- Eliminate costly development approval delays and excessive development standards.
- Prohibit “inclusionary” zoning ordinances that discriminate against low-income home buyers by denying them equity growth.
- Prohibit local governments from imposing development fees or exactions without specific statutory authority.
- Require public notice for proposed local government development fee increases.